

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Rust Township	County Montmorency
Audit Date 3/31/05	Opinion Date 6/14/05	Date Accountant Report Submitted to State: 9/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, LLP			
Street Address P.O. Box 308	City Mio	State MI	ZIP 48647
Accountant Signature		Date 9/30/05	

Rust Township
Montmorency County, Michigan
Financial Report
With Supplemental Information
March 31, 2005

Rust Township
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INDEPENDENT AUDITOR'S REPORT

Township Board
Rust Township
Montmorency County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rust Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rust Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rust Township as of March 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 21-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter LLP
Certified Public Accountants
June 14, 2005

Management's Discussion and Analysis

As management of Rust Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$271,474 (*net assets*). Of this amount, \$216,257 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$3,135.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$216,257, an increase of \$6,668 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$216,257 or 285% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and other. The Township does not have any business-type activities as of and for the year ended March 31, 2005.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, and Fire & Ambulance Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-20 of this report.

Government-wide Financial Analysis

[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.]

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$271,474 at the close of the most recent fiscal year.

A portion of the Township's net assets (20%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

		<u>Governmental Activities</u>
Current and Other Assets	\$	216,637
Capital Assets, Net		<u>55,217</u>
Total Assets	\$	<u>271,854</u>
Current Liabilities	\$	380
Long Term Liabilities		<u>-0-</u>
Total Liabilities	\$	<u>380</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$	55,217
Unrestricted		<u>216,257</u>
Total Net Assets	\$	<u>271,474</u>

The Township's net assets increased by \$3,135 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$6,668 or 3%, during fiscal year 2005.

Township's Changes in Net Assets

	Governmental Activities
Revenue:	
Program Revenue:	
Charges for services	\$ 320
Operating Grants and Contributions	-0-
General Revenue:	
Property Taxes	46,303
State-Shared Revenues	41,034
Interest and Rent Earnings	5,162
Other	<u>2,576</u>
Total Revenue	\$ 95,395
Expenses:	
General Government	\$ 63,932
Public Safety	25,028
Public Works	<u>3,300</u>
Total Expenses	\$ <u>92,260</u>
Increase in Net Assets	3,135
Net Assets, Beginning of Year	<u>268,339</u>
Net Assets, End of Year	\$ <u><u>271,474</u></u>

Governmental activities. The Township's total governmental revenues increased by \$2,554 from last fiscal year. This was primarily attributed to additional revenue from property taxes. Expenses decreased by \$3,941. The decrease was primarily due to decreased Capital Outlay expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$216,257, an increase of \$6,668 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount or \$216,257.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 281% and total fund balance represents 285% of total general fund expenditures.

The fund balance of the General Fund increased by \$6,668 during the current fiscal year.

The Fire and Ambulance Fund was established during the year ended March 31, 2004. A .5000 mill property tax was levied, having been approved by the taxpayers. The property tax generated \$12,762 of revenue for the year ended March 31, 2005. All of the funds were expended during the fiscal year.

Governmental Funds Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire and Cemetery Funds. Each of the budgeted funds was amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2005, amounted to \$55,217 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$-0- for the fiscal year.

Township's Capital Assets (net of depreciation)

Land	\$	2,700
Land Improvements		1,881
Buildings		44,655
Equipment		-0-
Cemetery – Land Improvements		5,981
Cemetery - Equipment		-0-
Total	\$	<u>55,217</u>

Additional information on the Township's capital assets can be found in note 5 on page 18 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. The Township did receive more in State Shared Revenues this year than the prior fiscal year, however, the increase was less than expected based on previous history. The Township anticipates contracting with the County Road Commission for some road improvements. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Rust Township
P.O. Box 456
Hillman, Michigan 49746

Rust Township
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 144,123
Receivables: (Note 4)	
Other	-
Intergovernmental	7,925
Due from Fiduciary Fund	-
Investments (Note 3)	64,589
Capital assets-net (Note 5)	<u>55,217</u>
 Total assets	 <u>271,854</u>
 Liabilities	
Current Liabilities:	
Accounts payable	380
Deferred revenue	-
Total current liabilities	<u>380</u>
 Total liabilities	 <u>380</u>
 Net Assets	
Invested in capital assets, net of related debt	55,217
Unrestricted	<u>216,257</u>
 Total net assets	 \$ <u><u>271,474</u></u>

See accompanying notes to financial statements.

Rust Township
Statement of Activities
Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Assets
Governmental Activities				
General government	\$ 63,932	\$ 320	\$ -	\$ (63,612)
Public safety	25,028	-	-	(25,028)
Public works	3,300	-	-	(3,300)
Total governmental activities	<u>\$ 92,260</u>	<u>\$ 320</u>	<u>\$ -</u>	<u>(91,940)</u>
General Revenues:				
Property taxes - operating				33,541
Property taxes - fire & ambulance				12,762
State-shared revenues				41,034
Interest and investment earnings				5,162
Other				2,576
Total general revenues				<u>95,075</u>
Change in Net Assets				3,135
Net assets - beginning of year				<u>268,339</u>
Net assets - end of year				<u>\$ 271,474</u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 6,668
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (3,533)
Capital outlay	<u>-</u>
	<u>(3,533)</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,135</u>

See accompanying notes to financial statements.

Rust Township
Governmental Funds
Balance Sheet
March 31, 2005

	General Fund	Fire & Ambulance Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 144,123	\$ -	\$ 144,123
Investments	64,589	-	64,589
Due from other funds	-	-	-
Due from other governmental units	7,925	-	7,925
Total assets	<u>\$ 216,637</u>	<u>\$ -</u>	<u>\$ 216,637</u>
Liabilities			
Accounts payable	\$ 380	\$ -	\$ 380
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>380</u>	<u>-</u>	<u>380</u>
Fund balances			
Unreserved:			
Undesignated:			
General Fund	216,257	-	216,257
Special Revenue Funds	-	-	-
Total fund balances	<u>216,257</u>	<u>-</u>	<u>216,257</u>
Total liabilities and fund balances	<u>\$ 216,637</u>	<u>\$ -</u>	<u>\$ 216,637</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 216,257
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	97,651
Accumulated depreciation is	(42,434)
Net Assets of Governmental Activities	<u>\$ 271,474</u>

See accompanying notes to financial statements.

Rust Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2005

	General Fund	Fire & Ambulance Fund	Total Governmental Funds
Revenues			
Taxes and penalties	\$ 33,541	\$ 12,762	\$ 46,303
Licenses and permits	320	-	320
State grants	41,034	-	41,034
Charges for services	-	-	-
Interest and rentals	5,162	-	5,162
Other revenue	2,576	-	2,576
Total revenues	<u>82,633</u>	<u>12,762</u>	<u>95,395</u>
Expenditures			
Current:			
General government	60,399	-	60,399
Public safety	12,266	12,762	25,028
Public works	3,300	-	3,300
Capital outlay	-	-	-
Total expenditures	<u>75,965</u>	<u>12,762</u>	<u>88,727</u>
Excess of Revenues Over (Under) Expenditures	6,668	-	6,668
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	6,668	-	6,668
Fund balance - April 1, 2004	<u>209,589</u>	<u>-</u>	<u>209,589</u>
Fund balance - March 31, 2005	<u>\$ 216,257</u>	<u>\$ -</u>	<u>\$ 216,257</u>

See accompanying notes to financial statements.

Rust Township
Fiduciary Funds
Statement of Net Assets
March 31, 2005

	Agency Fund Type (Property Tax Collection Fund)
Assets	
Cash	\$ -
Due from other funds	-
	<hr/>
Total assets	\$ -
	<hr/> <hr/>
Liabilities	
Due to other funds	\$ -
Due to other governments	-
	<hr/>
Total liabilities	-
	<hr/>
Net Assets	\$ -
	<hr/> <hr/>

See accompanying notes to financial statements.

Rust Township
Notes to Financial Statements
March 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Rust Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire and Ambulance Fund is used to record property tax revenue restricted for providing fire protection and ambulance services.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Rust Township
Notes to Financial Statements
March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2004 taxable value of the Township was \$25,529,246. The 2004 tax levy was .9160 mills for general operating purposes raising \$23,147 for general operating purposes and .4999 mills for fire protection and ambulance services raising 12,762 for fire protection purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Equipment	5-20 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township did not have a reserved fund balance at March 31, 2005. Designations of fund balance represent tentative management plans that are subject to change. The Township did not have a designated fund balance at March 31, 2005.

Rust Township
Notes to Financial Statements
March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Accounting Change - Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No, 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$97,651 previously reported in the General Fixed Asset Account Group. Capital assets being depreciated at April 1, 2004 previously reported in the General Fixed Asset Account Group have been reduced by \$18,082 to reflect historical cost of the Township's assets at that date.

The fund financial statements focus on major funds rather than fund types.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Rust Township
Notes to Financial Statements
March 31, 2005

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Assessor	\$ 10,000	\$ 10,579	\$ 579
Cemetery	6,000	6,120	120
Townhall	8,490	9,242	752

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Rust Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Rust Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 144,123	\$ -	\$ 144,123
Investments	64,589	-	64,589
Total	<u>\$ 208,712</u>	<u>\$ -</u>	<u>\$ 208,712</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 144,123
Investments	64,589
	<u>\$ 208,712</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$144,123 is covered by federal depository insurance.

The investments are held by Linsco Private Ledger (LPL) Financial Services held in the Township's name and consist of mutual funds and government bonds.

Rust Township
Notes to Financial Statements
March 31, 2005

Note 4 - Receivables

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

	General Fund	Fire & Ambulance Fund	Tax Coll. Fund	Total
Receivables:				
Other	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,925	-	-	7,925
	<u>\$ 7,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,925</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Capital assets not being depreciated:				
Land	\$ 2,700	\$ -	\$ -	\$ 2,700
Capital assets being depreciated:				
Land improvements	2,280	-	-	2,280
Buildings	76,111	-	-	76,111
Equipment	5,759	-	-	5,759
Cemetery - Land improvements	9,551	-	-	9,551
Cemetery - Equipment	1,250	-	-	1,250
Subtotal	<u>94,951</u>	<u>-</u>	<u>-</u>	<u>94,951</u>
Accumulated Depreciation				
Land improvements	285	114	-	399
Buildings	28,938	2,518	-	31,456
Equipment	5,335	424	-	5,759
Cemetery - Land improvements	3,093	477	-	3,570
Cemetery - Equipment	1,250	-	-	1,250
Subtotal	<u>38,901</u>	<u>3,533</u>	<u>-</u>	<u>42,434</u>
Net capital assets being depreciated	<u>56,050</u>	<u>(3,533)</u>	<u>-</u>	<u>52,517</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 58,750</u>	<u>\$ (3,533)</u>	<u>\$ -</u>	<u>\$ 55,217</u>

Rust Township
Notes to Financial Statements
March 31, 2005

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:		
General government	\$	3,533
Total governmental activities	\$	<u>3,533</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	Amount
None	\$ -	None	\$ -
Total	<u>\$ -</u>	Total	<u>\$ -</u>
<u>Transfers In</u>		<u>Transfers Out</u>	
None	<u>\$ -</u>	None	<u>\$ -</u>

Note 7 - Risk Management

Rust Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

The Township has a defined contribution retirement plan that covers the five elected officials. The plan is administered by U.S. Financial Life Insurance Co. The Township contributes a flat amount per month per official with one amount being paid for the Supervisor, Clerk and Treasurer and one amount being paid for the Trustees. The officials also make contributions to the plan. The officials contributions for the year were \$640.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The Township's total payroll for the year ended March 31, 2005 was approximately \$23,795. The Township made the required contribution of \$1,960.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township . The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Rust Township
Notes to Financial Statements
March 31, 2005

Note 8 - Perpetual Care Cemetery Trust Fund

The Township owns one half of the Perpetual Care Cemetery Trust Fund. Hillman Township owns the other half and maintains the records. The Township portion of the fund balance at March 31, 2004 is \$15,755. The Township also owns one half of the cemetery capital assets. These capital assets have been included in Note 5.

The Township is billed for one half of the total cemetery expenditures less one half of the cemetery revenues for each fiscal year.

Note 9 - Joint Venture

Rust Township is a participant in an interlocal agreement with Hillman Township, Montmorency Township and the Village of Hillman to provide fire protection and ambulance services to the township and village residents. The Hillman Fire Board totals nine members, three from Hillman Township, three from Montmorency Township, two from Rust Township, and one from the Village of Hillman.

Rust's equity interest is determined on a formula that includes both the state equalized valuation and the current population. The percentage was approximately 15.03% at December 31, 2002, the date of the most recent audited financial statements.

The financial statements of the Hillman Fire Board (which does not maintain a General Fixed Assets Group of Accounts) shows the following:

Total Assets (cash and accounts receivable)	\$ 153,637
Total Liabilities (payroll taxes and deferred revenue)	\$ 27,011
Fund Equity	\$ 126,626

The Hillman Fire Board had not adopted GASB 34 at December 31, 2002, therefore the capital assets are not included in Note 5.

Required Supplemental Information

Rust Township
 Budgetary Comparison Schedule - General Fund
 Year Ended March 31, 2005

	Budgeted Amounts		Actual	Variance with
	2005	2005	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 209,589	\$ 209,589	\$ 209,589	\$ -
Resources (Inflows)				
Taxes and fees	36,038	36,038	33,541	(2,497)
Licenses and permits	500	500	320	(180)
State grants	39,181	39,181	41,034	1,853
Interest and rentals	4,800	4,800	5,162	362
Other	2,600	2,600	2,576	(24)
Amounts available for appropriation	<u>83,119</u>	<u>83,119</u>	<u>82,633</u>	<u>(486)</u>
Charges to Appropriations (Outflows)				
General government	57,150	61,609	60,399	(1,210)
Public safety	13,469	13,469	12,266	(1,203)
Public works	5,000	5,000	3,300	(1,700)
Other	7,500	3,041	-	(3,041)
Capital outlay	-	-	-	-
Total charges to appropriations	<u>83,119</u>	<u>83,119</u>	<u>75,965</u>	<u>(7,154)</u>
Fund Balance - end of year	\$ <u>209,589</u>	\$ <u>209,589</u>	\$ <u>216,257</u>	\$ <u>6,668</u>

Rust Township
 Budgetary Comparison Schedule - Fire & Ambulance Fund
 Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>2005</u>	<u>2005</u>	Amounts	Final Budget
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Over (Under)</u>
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Taxes and fees	12,762	12,762	12,762	-
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>12,762</u>	<u>12,762</u>	<u>12,762</u>	<u>-</u>
Charges to Appropriations (Outflows)				
Public safety	12,762	12,762	12,762	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>12,762</u>	<u>12,762</u>	<u>12,762</u>	<u>-</u>
Fund Balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental Information

Rust Township
General Fund
Statement of Revenues - Budget and Actual
Year Ended March 31, 2005

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
TAXES:			
Property taxes	\$ -	\$ 24,958	\$ -
Property tax administration	-	8,583	-
TOTAL TAXES	<u>36,038</u>	<u>33,541</u>	<u>(2,497)</u>
LICENSES AND PERMITS:			
Zoning permits	<u>500</u>	<u>320</u>	<u>(180)</u>
STATE GRANTS:			
State shared revenues	-	36,879	-
Bankhead Jones	-	433	-
Swamp tax	-	1,802	-
Metro Act	-	1,920	-
TOTAL STATE GRANTS	<u>39,181</u>	<u>41,034</u>	<u>1,853</u>
INTEREST AND RENTALS:			
Interest	-	4,059	4,059
Rents and royalties	-	1,103	1,103
TOTAL INTEREST AND RENTALS	<u>4,800</u>	<u>5,162</u>	<u>362</u>
OTHER REVENUE			
Reimbursements	-	2,575	-
Miscellaneous	-	1	-
TOTAL OTHER REVENUE	<u>2,600</u>	<u>2,576</u>	<u>(24)</u>
TOTAL REVENUES	\$ <u>83,119</u>	\$ <u>82,633</u>	\$ <u>(486)</u>

Rust Township
General Fund
Statement of Expenditures - Budget and Actual
Year Ended March 31, 2005

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT			
Legislative			
Trustee wages	\$ -	\$ 2,125	\$ -
Per diem	-	780	-
Social security & medicare	-	509	-
Pension contribution	-	1,960	-
Office supplies	-	173	-
Postage	-	1,013	-
Legal	-	3,347	-
Professional services	-	-	-
Printing & publishing	-	396	-
Memberships & dues	-	609	-
Mileage	-	112	-
Miscellaneous	-	1,197	-
Total Legislative	<u>13,519</u>	<u>12,221</u>	<u>1,298</u>
Supervisor			
Salary	-	5,500	-
Per diem	-	30	-
Mileage	-	85	-
Total Supervisor	<u>5,700</u>	<u>5,615</u>	<u>85</u>
Elections			
Services & expenses	-	2,697	-
Printing & publishing	-	-	-
Total Elections	<u>3,000</u>	<u>2,697</u>	<u>303</u>
Assessor			
Professional services	-	6,922	-
Contracted services	-	3,657	-
Total Assessor	<u>10,000</u>	<u>10,579</u>	<u>(579)</u>
Clerk			
Salary	-	5,400	-
Per diem	-	270	-
Seminars	-	200	-
Mileage	-	-	-
Total Clerk	<u>6,200</u>	<u>5,870</u>	<u>330</u>
Board of Review			
Wages	-	686	-
Printing & publishing	-	-	-
Total Board of Review	<u>800</u>	<u>686</u>	<u>114</u>

Rust Township
General Fund
Statement of Expenditures - Budget and Actual
Year Ended March 31, 2005

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)			
Treasurer	\$	\$	\$
Salary	-	6,900	-
Deputy wages	-	221	-
Per diem	-	210	-
Mileage	-	38	-
Total Treasurer	<u>7,900</u>	<u>7,369</u>	<u>531</u>
Cemetery			
Contracted services	<u>6,000</u>	<u>6,120</u>	<u>(120)</u>
Townhall			
Wages	-	738	-
Insurance	-	3,407	-
Electricity	-	858	-
Heat	-	2,525	-
Telephone	-	416	-
Repair & maintenance	-	1,298	-
Total Townhall	<u>8,490</u>	<u>9,242</u>	<u>(752)</u>
TOTAL GENERAL GOVERNMENT	<u>61,609</u>	<u>60,399</u>	<u>1,210</u>
PUBLIC SAFETY			
Fire & Ambulance			
Contracted services	<u>7,469</u>	<u>7,469</u>	<u>-</u>
Zoning			
Wage	-	1,050	-
Miscellaneous	-	3,747	-
Total Zoning	<u>6,000</u>	<u>4,797</u>	<u>1,203</u>
TOTAL PUBLIC SAFETY	<u>13,469</u>	<u>12,266</u>	<u>1,203</u>
PUBLIC WORKS			
Roads	-	3,300	-
TOTAL PUBLIC WORKS	<u>5,000</u>	<u>3,300</u>	<u>1,700</u>
OTHER			
Contingency	-	-	-
TOTAL OTHER	<u>3,041</u>	<u>-</u>	<u>3,041</u>
CAPITAL OUTLAY	-	-	-
TOTAL EXPENDITURES	<u>\$ 83,119</u>	<u>\$ 75,965</u>	<u>\$ 7,154</u>

Rust Township
Fire & Ambulance Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2005

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property Tax	\$ 12,762	\$ 12,762	\$ -
Total Revenues	12,762	12,762	-
EXPENDITURES			
Public Safety			
Fire and ambulance	12,762	12,762	-
Total Expenditures	12,762	12,762	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - April 1	-	-	-
FUND BALANCE - March 31	\$ -	\$ -	\$ -

Rust Township
Statement of Changes in Assets and Liabilities
All Agency Funds
March 31, 2005

Current Tax Collection Fund				
	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
Assets				
Cash	\$ <u>4,493</u>	\$ <u>836,417</u>	\$ <u>840,910</u>	\$ <u>-</u>
Liabilities				
Due to other funds	\$ -	\$ 47,900	\$ 47,900	\$ -
Due to county	-	299,134	299,134	-
Due to schools	4,493	489,203	493,696	-
Refunds	<u>-</u>	<u>180</u>	<u>180</u>	<u>-</u>
Total liabilities	\$ <u>4,493</u>	\$ <u>836,417</u>	\$ <u>840,910</u>	\$ <u>-</u>